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Tree Nuts

Annual

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Report Highlights: Weather conditions have been adverse for almonds (frosts in early April), but more favorable for both hazelnuts and walnuts, thanks to summer rains. Domestic crops are expected to be sharply lower for almonds, and slightly fluctuating for the other nuts. Trade in 2002/03 is expected to develop accordingly: more imports for almonds, slightly lower imports of Californian walnuts, and still very high imports of Turkish hazelnuts. Italy is consoldidating its position as a net importer of tree nuts, as the only commercially important export traffic (related to hazelnuts) is dramatically affected by the aggressive competition from Turkey**.**

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I. SITUATION AND OUTLOOK

ALMONDS

GENERAL

Commercial almond production in 2002 is preliminarily forecast at no more than 9,000 tons (shelled basis), or only half the fairly good crop harvested last year. Weather conditions have been very unfavorable in both Apulia and Sicily, the two key producing regions. However, while in Sicily the orchards have been affected by a continued drought, which compromised the yields per tree, in Apulia the main factor was frost reported in early April, which cut dramatically the crop perspectives. Furthermore, some observers tie the production decrease to the cyclical crop fluctuation, which is more pronounced in Italy's ageing almond trees.

CROP AREA

As mentioned in past reports, the planted area numbers in the PS&D table are those officially reported by ISTAT (the National Institute of Statistics). However, there is a general consensus that actual planted area is much lower (estimated at no more than 50 percent of the official figure), due to the continued uprooting of the oldest, least productive trees. As only a minimal number of new orchards have been recently planted, Italian almond production, in the medium-long term, is expected to decline.

PRODUCTION POLICY

Following the world market trend, 2001/02 domestic almond prices averaged about 1 percent more than in the previous year. However, after the relatively low levels reported during September - December 2002, prices rose significantly (following mainly the trend reported for Californian almonds) and are now reported at about 20 percent over one year ago.

CONSUMPTION

Relatively cheap almond prices are favoring domestic consumption, in partial substitution for other, more expensive nuts. Imported almonds are mostly consumed in northern Italy, while local almonds are more popular in the south, where Italian production is concentrated.

TRADE

Total almond imports in 2001/02 remained virtually unchanged from the previous year, despite the relatively large domestic crop. Imports were favored by the low international prices, particularly from the U.S. Shipments from California to Italy rose by 24 percent and accounted for 64 percent of total Italian imports, vs. about 50 percent of the previous year. The main competitor remained Spain, whose market share, however, dropped to one third. Total imports in 2002/03 are anticipated to increase substantially, following the forecast domestic production drop.

The current EU ad valorem customs duty for shelled almonds is 2 percent for imports within the EU-wide quota of 90,000 tons, and 3.5 percent for imports over the quota. The EU export subsidy for shelled almonds is currently set at 45 euros per metric ton.

WALNUTS

PRODUCTION

This year's production is preliminarily estimated at 15,000 tons, or 15 percent more than last year's crop, relatively poor in terms of both volume and quality. Weather developments have been fairly good in Campania, the leading producing region of the local "Sorrento" variety. Quality of the 2002 crop is also anticipated to be very good, particularly with reference to the average nut size. Planted area remains marginal and is not expected to expand in the near future, with the only limited exception of some newly planted walnut orchards in northern Italy.

CONSUMPTION

Walnut consumption (mainly in-shell) is traditionally concentrated during the Christmas season, but in the most recent years has expanded through the spring. On the other hand, sales of shelled walnuts, consumed either as snacks or as ingredients for the confectionary industry, have increased sharply in recent years.

TRADE

The relatively low domestic crop in 2001 favored large imports throughout the 2001/02 marketing year, with an expected final volume of about 18,500 tons (in-shell basis), or 28 percent more than in the previous year. The major supplier, as usual, was California (about 75 percent of total in-shell imports in 2001/02), followed by France (17 percent), and other minor suppliers. Total imports, however, are expected to decline marginally in 2002/03, consequent to the good domestic crop, but should remain on the high side, thanks to the excellent consumers' acceptance of the Californian nuts. Imports of shelled walnuts are expanding, in line with increasing consumption; the U.S., however, in 20001/02 was only a marginal supplier, mainly due to the high prices of the Californian product, combined with the strong U.S. dollar. The weakened U.S. dollar (currently it fluctuates around the parity with the euro) could of course favor Californian exports of both in-shell and shelled walnuts in next 2002/03.

The EU customs duty for in-shell walnuts is fixed at 4 percent, while that for shelled walnuts is set at 5.1 percent. The EU export refund for shipments to third countries is currently 66 euros per metric ton for in-shell walnuts.

HAZELNUTS

PRODUCTION

GENERAL

Domestic hazelnut production in 2002 is forecast at 110,000 tons (in-shell basis), or 15 percent lower than last year's large crop, mainly consequent to the cyclical crop fluctuation. Weather conditions have been generally favorable to the crop development, thanks in particular to the prolonged, unusual rains during most of July and even the first part of August. This was particularly true in both Campania and Latium, where almost two thirds of the Italian hazelnut orchards are located. As indicated in past years' reports, domestic hazelnut production consists of long varieties such as Lunga San Giovanni (sold mainly in-shell at premium prices), and round varieties, such as Gentile, Giffoni and Romana, chiefly processed by the confectionary industry.

CROP AREA

The leading producing regions are Campania and Latium (each on average about 35 to 40 percent of the crop), followed by Piedmont (13 to 14 percent) and Sicily (10 to 12 percent). The hazelnut industry has remained the only vital Italian tree nut sector, although strong competition from Turkey affects both the domestic and foreign markets. Area planted to hazelnuts, after the slight declines reported in past years (mainly in marginal areas), is now fairly stable, and no significant variations are expected in the medium term.

PRODUCTION POLICY

Competition from Turkey remains the key factor, affecting both the domestic and export markets. Domestic hazelnut prices in 2001/02 averaged some 18 percent less than in the previous year. Current prices are the lowest since 1996, and no recovery is anticipated in the near future, given the situation still prevailing in Turkey (large production and low prices).

The EU program favoring domestic hazelnut producers, through the payment of an aid per quantity of in-shell hazelnuts, which had expired last year, was renewed in March, 2002 even for the 2001/02 marketing year. This program calls for a specific aid of 150 euros per metric ton, to be requested by the recognized producers' associations, submitting a quality improvement program.

CONSUMPTION

Hazelnuts are mainly utilized by the domestic confectionary industry, being the main ingredient in many chocolate products. Domestic consumption after the drop reported in 2000/01, recovered substantially in 2001/02, in line with larger domestic and Turkish supplies, and is expected to remain on the high side during the 2002/03 marketing year, too.

TRADE

Despite the large domestic supplies, imports from Turkey of shelled hazelnuts keep growing, while exports into the main European outlet markets are dramatically affected by the strong competition of the Turkish hazelnuts. As a result, during the most recent years (1999/2000, 2000/01 and 2001/02) Italy has been a net importer of hazelnuts, and this situation is not expected to be reversed in the near future. The main outlet for Italian hazelnuts remained EU countries (chiefly Germany) and Switzerland. Imports of shelled hazelnuts (mainly coming from Turkey), during September 2001-March 2002 rose further by 35 percent compared to the same period of 2000/2001, consequent, as said above, to the cheap price policy adopted by Turkey.

The EU ad valorem tariff rate is 3.2 percent for both in-shell and shelled hazelnuts. EU export restitutions for shipments to third countries are presently set at 53 euros per metric ton for in-shell hazelnuts and 103 euros per metric ton for shelled hazelnuts.

SECTION II PSD TABLES

ALMONDS

PSD Table						
Country	Italy					
Commodity	Almonds, Shelled Basis				(HA)(1000 TREES)(MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		09/2001		09/2002		09/2003
Area Planted	88000	87660	87800	87000	0	86500
Area Harvested	87500	86719	87300	86000	0	85500
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Beginning Stocks	1000	1000	2000	6000	2000	2000
Production	20000	18000	15000	9000	0	15000
Imports	12000	15000	15000	17000	0	15000
TOTAL SUPPLY	33000	34000	32000	32000	2000	32000
Exports	3000	3000	2000	2000	0	2000
Domestic Consumption	28000	25000	28000	28000	0	28000
Ending Stocks	2000	6000	2000	2000	0	2000
TOTAL DISTRIBUTION	33000	34000	32000	32000	0	32000

FILBERTS

PSD Table						
Country	Italy					
Commodity	Filberts, Inshell Basis				(HA)(1000 TREES)(MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		09/2001		09/2002		09/2003
Area Planted	69500	69910	69500	7000	0	70000
Area Harvested	69000	68477	69000	69000	0	69000
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Beginning Stocks	2000	2000	4000	15000	2000	5000
Production	135000	130000	100000	110000	0	130000
Imports	40000	60000	50000	50000	0	50000
TOTAL SUPPLY	177000	192000	154000	175000	2000	185000
Exports	50000	40000	35000	35000	0	35000
Domestic Consumption	123000	137000	117000	135000	0	135000
Ending Stocks	4000	15000	2000	5000	0	15000
TOTAL DISTRIBUTION	177000	192000	154000	175000	0	185000

WALNUTS

PSD Table						
Country	Italy					
Commodity	Walnuts, Inshell Basis				(HA)(1000 TREES)(MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		09/2001		09/2002		09/2003
Area Planted	4600	4600	4600	4600	0	4500
Area Harvested	3900	3900	3900	3900	0	3900
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Beginning Stocks	3000	3000	2000	1000	2000	1000
Production	8000	13000	13000	15000	0	13000
Imports	20000	18500	16000	17000	0	19000
TOTAL SUPPLY	31000	34500	31000	33000	2000	33000
Exports	1000	1100	1000	1000	0	1000
Domestic Consumption	28000	32400	28000	31000	0	31000
Ending Stocks	2000	1000	2000	1000	0	1000
TOTAL DISTRIBUTION	31000	34500	31000	33000	0	33000

TRADE TABLES

SHELLED ALMONDS

SHELLED ALMONDS				
	1999/2000	2000/2001	Sep00-Mar01	Sep01-Mar 02
IMPORTS				
Spain	5,675	4,327	4,122	3,559
Germany	192	188	234	10
France	189	169	309	250
Greece	528	372	250	25
Other EU	208	79	200	24
Total EU	6,792	5,135	5,115	3,820
U.S.	7,719	5,563	5,512	6,839
Other non-EU	330	235	223	44
TOTAL	14,841	10,933	10,850	10,703
EXPORTS				
Belgium	73	35	37	55
France	707	391	597	567
Netherlands	20	14	31	2
Germany	557	272	729	796
Other EU	371	221	255	219
Total EU	1,728	933	1,649	1,639
Other non-EU	299	152	177	222
TOTAL	2,027	1,085	1,826	1,861

IN-SHELL WALNUTS

IN-SHELL WALNUTS				
	1999/2000	2000/2001	Sep00-Mar01	Sep01-Mar 02
IMPORTS				
France	1,374	1,291	1,476	2,004
Germany	82	79	131	273
Other EU	9	9	46	15
Total EU	1,465	1,379	1,653	2,292
Chile	314	47	85	163
U.S.	11,511	11,495	7,320	9,115
Romania	26	26	4	24
Bulgaria	312	312	94	220
Other non-EU	73	72	26	305
TOTAL	13,701	13,331	9,192	12,119
EXPORTS				
France	19	13	36	39
Belgium Lux	49	49	81	50
Germany	94	46	43	49
U.K.	10	10	19	52
Spain	463	120	376	78
Other EU	20	44	20	19
Total EU	655	282	575	287
Other non-EU	194	172	174	150
TOTAL	849	454	749	437

SHELLED WALNUTS

SHELLED WALNUTS				
IMPORTS	1999/2000	2000/2001	Sep00-Mar01	Sep01-Mar 02
Total EU	322	251	317	452
Romania	105	94	179	134
U.S.	378	303	191	189
Chile	75	20	42	59
India	163	100	67	53
Other non-EU	333	300	404	463
TOTAL	1,376	1,068	1,200	1,350
EXPORTS				
Total EU	85	46	108	107
Other	40	36	29	30
TOTAL	125	82	137	137

SHELLED HAZELNUTS

SHELLED HAZELNUTS				
IMPORTS	1999/2000	2000/2001	Sep00-Mar01	Sep01-Mar 02
Total EU	1,348	681	539	144
Georgia	389	1,083	797	486
Azerbajan	639	523	523	0
U.S.	0	0	0	136
Turkey	16,789	13,338	17,381	25,347
Other non-EU	3,421	1,482	1,642	224
TOTAL	20,210	15,681	19,562	26,427
EXPORTS				
France	1,909	874	1,292	1,287
Germany	6,409	4,139	3,049	2,336
Other EU	2,222	1,342	1,332	991
Total EU	10,540	6,355	5,673	4,614
Switzerland	3,002	1,805	1,754	1,415
Other non-EU	2,799	1,323	686	925
TOTAL	16,341	9,483	8,113	6,954

IN-SHELL HAZELNUTS

IN-SHELL HAZELNUTS				
IMPORTS	1999/2000	2000/2001	Sep00-Mar01	Sep01-Mar 02
Germany	52	52	271	224
Other EU	13	13	110	27
Total EU	65	65	381	251
Croatia	282	223	223	461
U.S.	655	615	159	1,296
Other non-EU	340	323	205	152
TOTAL	1,060	1,003	762	1,856
EXPORTS				
France	514	409	465	859
Germany	476	217	127	449
U.K.	334	334	618	939
Denmark	82	82	63	317
Other EU	493	455	603	515
Total EU	1,899	1,497	1,876	3,079
Norway	391	391	364	599
Other non-EU	324	343	316	721
TOTAL	2,614	2,231	2,556	4,399